

FLEXIBLE SPENDING ACCOUNTS

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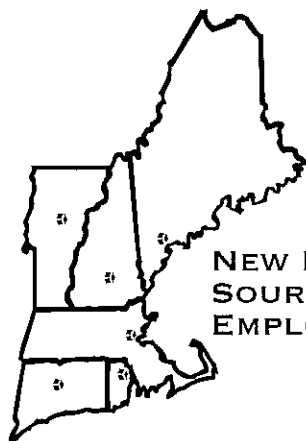


Combined Services LLC
EMPLOYEE BENEFITS



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EMPLOYEE BENEFITS



NEW ENGLAND'S
SOURCE FOR
EMPLOYEE BENEFITS

FLEXIBLE SPENDING ACCOUNTS

Do you find that some of your medical or dental expenses each year are not covered by insurance?

Do you pay for child care so that you and your spouse can work?

If you answered "yes" to either of these questions, you may be able to save some money by using a **Flexible Spending Account**. A Flexible Spending Account (FSA) enables you to pay for uncovered medical expenses or for dependent care expenses with pre-tax dollars.



Here's how it works:

You elect an amount to set aside from each paycheck in an FSA. The money you deposit in your FSA is automatically deducted from your gross pay before federal income tax and FICA are calculated. Your FSA deposits are not considered current taxable income and therefore do not appear on your W-2 form as taxable income. Since your taxable income is reduced, so are your annual taxes.

After a reimbursable expense has been incurred, you submit a reimbursement form with an itemized bill or receipt. You will be reimbursed for all eligible expenses in tax-free dollars.





2 TYPES OF FLEXIBLE SPENDING ACCOUNTS

There are two types of Flexible Spending Accounts, a Medical Care Spending Account and a Dependent Care Spending Account.

The amounts you decide to set aside in one, or both, of these accounts during the year will be deducted in equal amounts from each paycheck and credited to your account. Then, when you have an eligible expense, you can apply for reimbursement from your account. There's a reimbursement request form you'll need to complete. You'll also need to provide bills and receipts that clearly state the type and amount of expense you have incurred, the date the expense was incurred (not paid), and the name of the service provider.

Medical expenses must first be filed with your health plan. Their "Explanation of Benefits" showing unpaid amounts, can then be submitted for reimbursement. You may gather several small bills and submit them together (the minimum payment you can receive is \$40.00 unless it's your end of the year claim).



The Medical Care Spending Account will reimburse you the amount of your claim up to your specified annual contribution. Your Medical Care Spending Account reimburses you for expenses incurred for eligible services. We will not issue checks to doctors or drug stores, but will reimburse you directly.



The Dependent Care Account is for child and dependent care expenses incurred to allow you (and your spouse if you are married) to work.

The dependent on your income tax return must be under 13 (or incapable of self-care) and be claimed as a dependent. The rules for eligible expenses are the same as those for the Child and Dependent Care Credit which are outlined in IRS Publication 503.

Expenses for either account must be incurred during your group's plan year. You will have a 90-day grace period (after the plan year-end) to submit your claims for reimbursement. We will try to help you use the Flexible Spending Accounts only for eligible expenses. However, your employer and the claims administrator bear no responsibility for your taxes. You remain fully accountable to the IRS to prove the eligibility of any expense you submit. Therefore, you should keep copies of all receipts for your tax records.

ON-LINE ACCOUNT INFORMATION

You can check the status of your account at any time by visiting our website. Every participant will receive a welcome letter shortly after they are enrolled. This letter will provide your Personal Identification Number (PIN) and instructions.

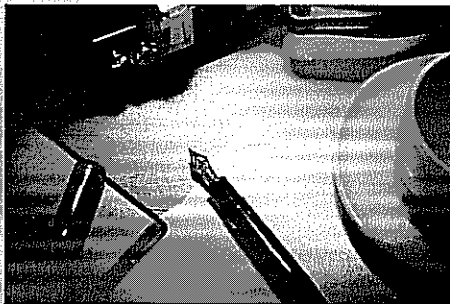


HOW CAN I ENROLL?

To participate in an FSA you must complete an enrollment form. You will elect an annual amount which will be withheld from your paycheck in equal installments during the plan year.

Once you have made your decision, you may not change your election unless you have a status change. You may change your benefits when:

- You experience a change in legal marital status
- Your spouse or dependent dies
- A child is born to you or you adopt a child
- Your spouse gets or loses a job
- Your health insurance cost or coverage changes significantly because of your spouse's employment
- You or your spouse's worksite or residence changes
- You or your spouse become eligible for Medicare or Medicaid
- You or your spouse change from full-time to part-time status or vice-versa
- Your spouse or dependent gains or loses eligibility
- You or your spouse takes or returns from unpaid leave, goes on strike or lockout



HOW DO I REQUEST REIMBURSEMENT?

Complete a Reimbursement Request Form. You can download this from our Website at: www.CombinedServices.com. When you complete the form be sure to:

- Include third-party verification with your request (a receipt from the provider or an Explanation of Benefits from your insurance company)
- The receipt must have the date of service (not the date you paid the bill), name and credentials of the provider, amount charged for the service, description of the service provided, and, name of the individual who received the service
- Cancelled checks are not sufficient documentation

Our Website also has other information that you may find helpful. But, if you have questions please call our toll-free customer service number, 888-227-9745 Ext. 2040, or e-mail us with your questions at flexiblebenefits@combinedservices.com.

You can also fax information to us at 603-224-4256 or contact us by mail at the following address:

Flexible Benefits Department
Combined Services LLC
15 North Main St. , Suite 300
Concord, NH 03301



MEDICAL EXPENSES ELIGIBLE FOR REIMBURSEMENT

The following are examples of expenses that are eligible for reimbursement through a Medical Spending Account. You can reference your income tax return to find a more complete list or reference IRS Publication 502.

Acupuncture	Fees of licensed osteopaths
Alcoholism	Handicapped persons special school
Ambulance hire	Hearing devices and batteries
Artificial limbs	Home improvements motivated by medical consideration
Artificial teeth	Hospital bills
Birth control pills	Insulin
Birth prevention surgery	Laboratory fees
Braces	Lasik eye surgery
Braille - books and magazines	Lead base paint removal for children with lead poisoning
Care for mentally handicapped child	Medical Expenses your health care coverage does not pay
Chiropractors	Membership fees for associations furnishing medical services, hospitalization, and clinical care
Christian Science practitioners' fees	Naturopathic office visit / consultation
Co-insurance	<i>Please note: herbal remedies, minerals & vitamins are NOT eligible for reimbursement.</i>
Contact lenses (prescription)	Nurses' fees (including nurses board and Social Security tax where paid by taxpayer)
Contact lens supplies	Obstetrical expenses
Cosmetic surgery (medically necessary procedures)	Office visit co-pays
Cost for physical or mental illness confinement	Operations and related treatments
Crutches	Orthodontia
Deductible	Orthopedic shoes
Dental fees	Over-the-counter medicines / pain relievers
Dentures	Oxygen
Diagnostic fees	Physician fees
Drug and medical supplies	
Expenses applied toward the deductible for your health care coverage	
Eyeglasses, including examination fee	
Fee of practical nurse	
Fees for healing services	



Physician recommended swimming pool or spa equipment costs and maintenance	Sterilization fees
Prescribed Medicine (including contraceptives)	Surgical fees
Prescription co-pays	Therapeutic care for drug and alcohol addiction
Psychiatric care	Therapy treatments
Psychologist fees	Transportation expenses primarily for rendition of medical services, i.e. railroad fare to hospital or to recuperation home, cab fare in obstetrical cases
Retarded persons cost for special home	Tuition at special school for handicapped
Routine physicals and other non-diagnostic services and treatments	Vitamins (if they require a prescription)
"Seeing-eye" dog and its upkeep	Wheelchair
Special communication equipment for the deaf	X-rays
Special education for the blind	
Special plumbing for the handicapped	

SERVICES GENERALLY NOT ELIGIBLE INCLUDE:

Cosmetic treatments	Face lifts, hair transplants, and electrolysis Liposuction
Prescriptions for hair loss or weight loss	Health Club Dues
Elective cosmetic surgery	Herbs
	Illegal operations or treatments





EXAMPLE

Employee Tax Savings Illustration

Example: Flexible Spending Account

	Without Account	With Account
Weekly Earnings	\$400.00	\$400.00
Account Deposit (Before Tax)	\$0.00	\$20.00
Taxable Wages	\$400.00	\$380.00
Taxes*	\$110.60	\$105.07
Fed. Tax 15.00%		
FICA 7.65%		
State 5.00%		
Expense (After Tax)	\$20.00	\$0.00
Take Home Pay (Net)	\$269.40	\$274.93
Weekly Savings		\$5.53
Annual Savings		\$287.56

* Note: Individual tax savings vary by income level and state.

IMPORTANT CONSIDERATIONS

The IRS allows your employer to offer Flexible Spending Accounts that provide you with this tax advantage. But, it has also imposed several restrictions.

Each year, you must use all the money set aside in your Flexible Spending Account or forfeit the money left over. Because of this restriction, it is very important to plan carefully when you decide how much money you want to set aside. Generally, accounts should be used for predictable expenses.



For example, if you know that you need a new pair of eyeglasses or braces for your child in the coming year, the FSA would be a tax effective way to pay for those expenses.

Please note: orthodontia is reimbursed according to your contract with your orthodontist (i.e. if your contract indicates monthly installments of \$150 per month, you can only be reimbursed for each month's installment as it comes due). A copy of the contract is required with your first claim.

You cannot pay for services through an FSA and also take the tax advantage available for those same services at income tax time. In other words, if you pay for medical expenses through an FSA, you cannot also itemize those expenses as deductions on your tax return. Also, if you utilize an FSA for dependent care expenses, you cannot also file for the child care credit when filing your annual tax return.

DEBIT CARD

For Employers who offer a Debit Card option, Employees have the ability to pay for eligible expenses at the point-of-service. For example, at the pharmacy counter or at the physician/dentist office you can pay for your co-payment on the spot! It is important to save all receipts as you may be requested to present copies to Combined Services LLC for verification of purchase of an eligible item.

DIRECT DEPOSIT

For Employers who offer a Direct Deposit option, we also provide the option of having your reimbursement amount sent to you by Direct Deposit to your checking or savings account. If you choose the Direct Deposit option, you must complete an Authorization Agreement for Direct Deposits. Please obtain this form from your personnel department, download it from our website, or call us at our toll-free number.



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